

## Market will Remain Tight Through 2008

*While tenants are slowing their leasing activity to see if better terms will be available later this year, vacancy remains low and rents continue to rise.*

In contrast to clear indications of recession in other parts of the country, the Chicago downtown office market continues to look healthy. Leasing activity over this quarter was slower than in the 4th quarter of 2007, but tenants are not putting space back on the market. Available sublease space, an early indicator of a change in the leasing market, took another drop to 1,333,173 square feet, its lowest point since 2nd quarter of 1999. Rental rates are at an all-time high, and continue to rise.

### Rental Rates

The current average asking rate, \$29.53 PSF Gross, is another record high, exceeding the highest average asking rate of \$28.65 PSF Gross set last quarter. Recent leases show landlords easing slightly on concessions for new tenants, but not dropping their rates.

Rental rates have risen significantly over the last two years, and with each increase, vacancy continued to drop. At this point, nothing short of consistent increases in vacancy over several consecutive quarters will convince landlords to shift rents downward. If leasing activity remains low over the next two quarters, landlords are more likely to offer more favorable concession packages, in anticipation of the delivery of new space in 2009.

### Space Available

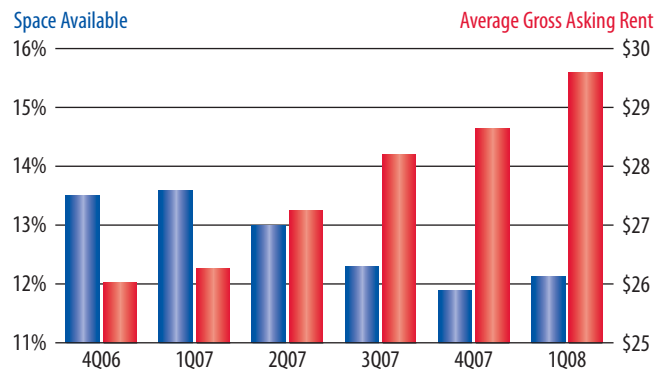
Space remains tight across all submarkets and classes. While the upcoming addition of over 3 million square feet of new Class A space in 2009 will ease the market for tenants of older Class A buildings, it may take until 2010 for that increased availability to transfer to Class B buildings.

### Noteworthy Leases

Tenant	Address	Sq. Ft.	Type
Northern Trust Corp.	801 South Canal Street	555,000	Renewal
Northern Trust Corp.	181 West Madison Street	420,000	Renewal - Expansion
William Blair & Co.	444 West Lake Street	340,000	Relocation
Marketing Werks Inc.	130 East Randolph Street	44,463	Relocation - Expansion
Upshot	350 North Orleans Street	41,486	Relocation - Expansion
Veolia Environmental Services	200 East Randolph Street	34,533	New
Arch Insurance Group Inc.	311 South Wacker Drive	22,048	New
DRI-The Voice of the Defense Bar	55 West Monroe Street	21,102	Relocation - Expansion
Schneider Logistics, Inc.	1 North Dearborn Street	21,000	Relocation - Expansion
Newmarket Underwriters Insurance Company	311 South Wacker Drive	14,614	New

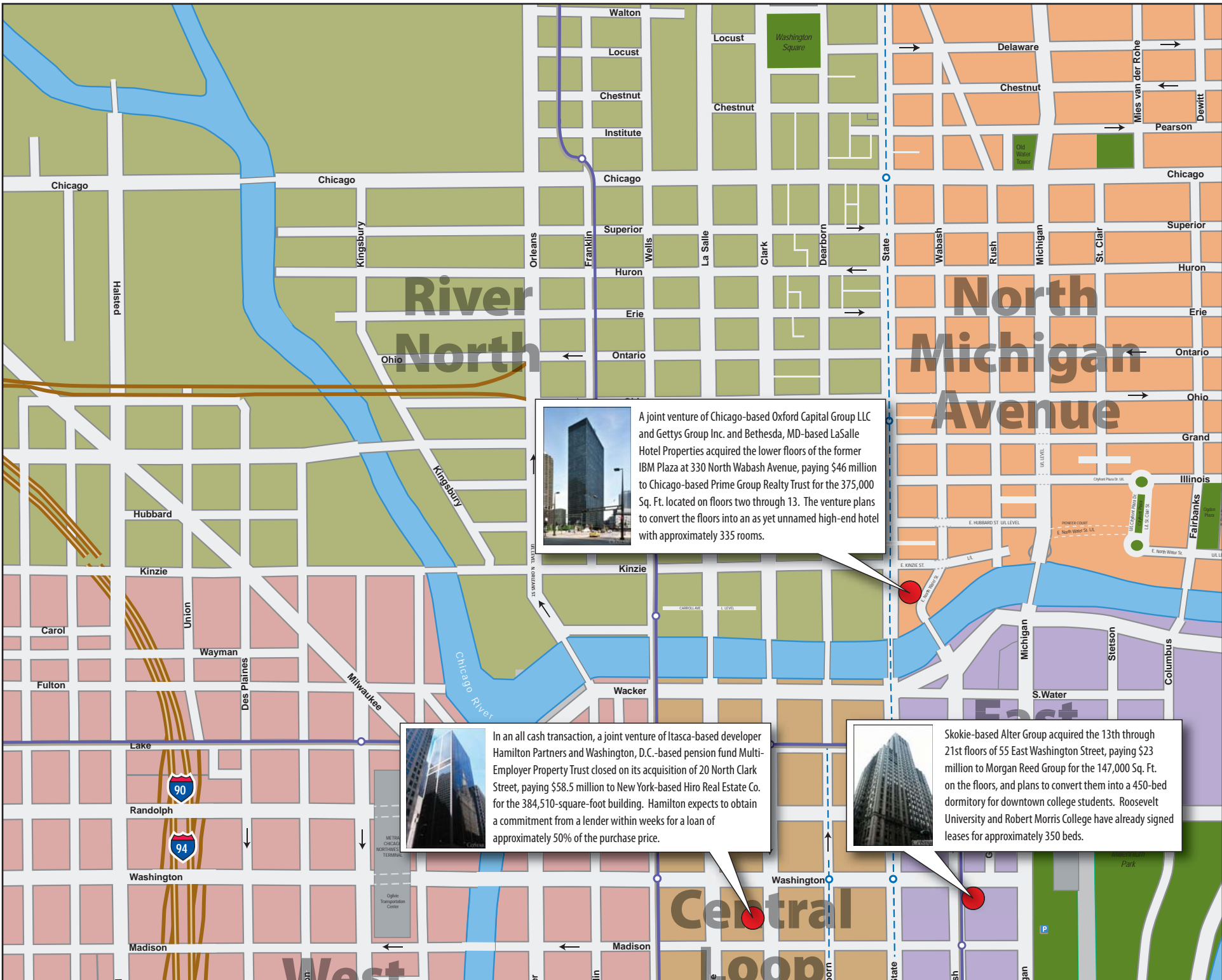
### By The Numbers

#### Chicago CBD – Availability vs. Rental Rates



#### Chicago CBD - Existing Buildings 4Q 2007

Existing RBA - Overall (585 buildings)	152,863,279
Existing RBA - Class A (78 buildings)	58,561,411
Existing RBA - Class B (204 buildings)	67,691,826
Existing RBA - Class C (303 buildings)	26,610,042
Total Vacant Sq. Ft.	16,730,613
Percent Vacant	10.9%
Total Available Sq. Ft.	18,446,365
Percent Available	12.1%
Gross Average Asking Rental Rate (Overall)	\$29.53
Year-To-Date Net Absorption	(110,346)



# River North

# North Michigan Avenue

A joint venture of Chicago-based Oxford Capital Group LLC and Gettys Group Inc. and Bethesda, MD-based LaSalle Hotel Properties acquired the lower floors of the former IBM Plaza at 330 North Wabash Avenue, paying \$46 million to Chicago-based Prime Group Realty Trust for the 375,000 Sq. Ft. located on floors two through 13. The venture plans to convert the floors into an as yet unnamed high-end hotel with approximately 335 rooms.

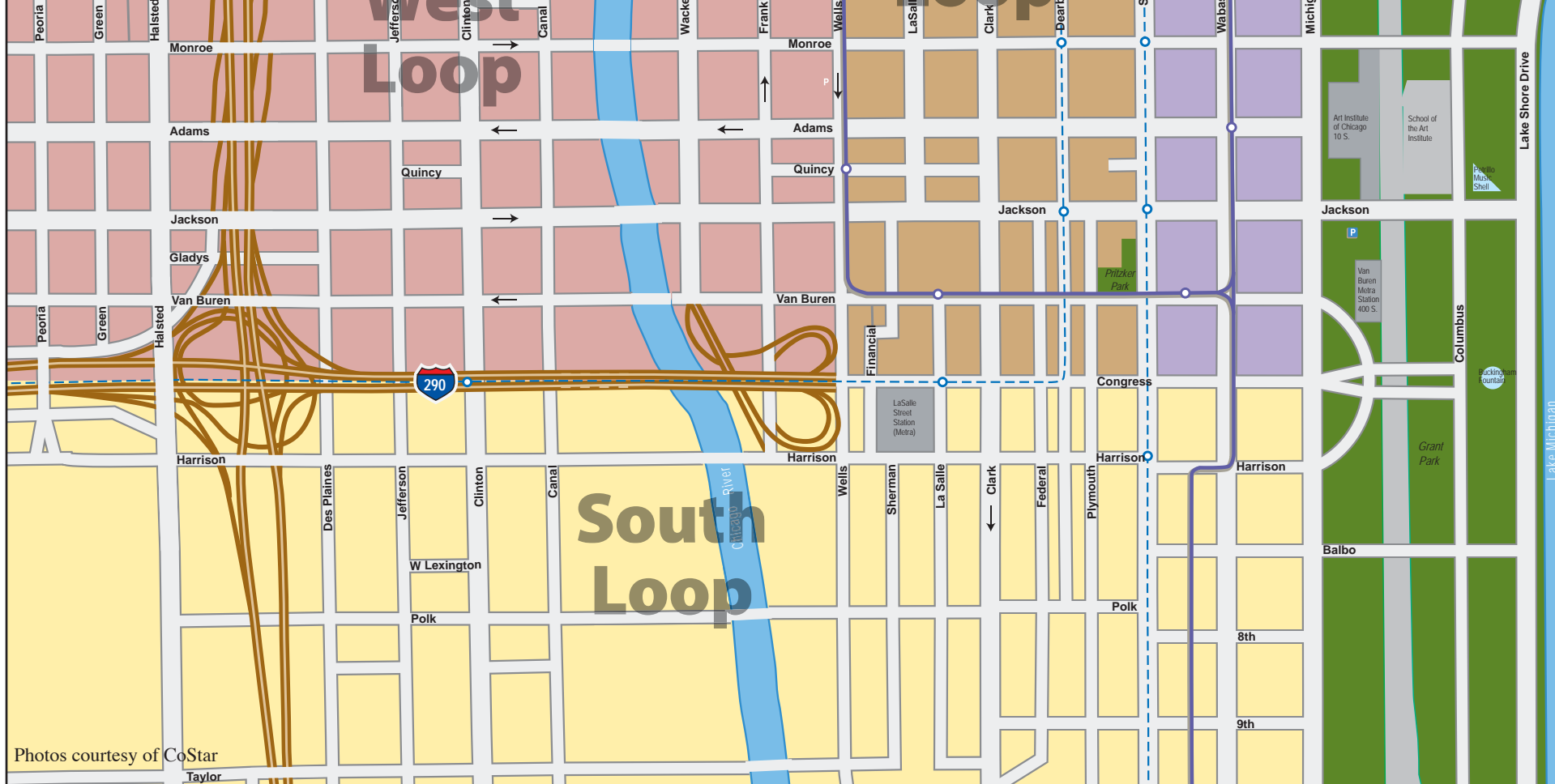


In an all cash transaction, a joint venture of Itasca-based developer Hamilton Partners and Washington, D.C.-based pension fund Multi-Employer Property Trust closed on its acquisition of 20 North Clark Street, paying \$58.5 million to New York-based Hiro Real Estate Co. for the 384,510-square-foot building. Hamilton expects to obtain a commitment from a lender within weeks for a loan of approximately 50% of the purchase price.



Skokie-based Alter Group acquired the 13th through 21st floors of 55 East Washington Street, paying \$23 million to Morgan Reed Group for the 147,000 Sq. Ft. on the floors, and plans to convert them into a 450-bed dormitory for downtown college students. Roosevelt University and Robert Morris College have already signed leases for approximately 350 beds.





### Chicago CBD Office Market Statistics – 1Q08

	Overall CBD	River North	North Michigan Avenue	West Loop	Central Loop	East Loop	South Loop
Total Inventory (Sq. Ft.)	152,863,279	15,502,427	15,980,695	51,813,932	39,375,435	26,322,036	3,868,754
Total Sq. Ft. Available	18,466,365	1,441,420	1,655,188	6,025,214	5,181,833	3,625,832	516,828
Percent Available	12.1%	9.3%	10.4%	11.6%	13.2%	13.8%	13.4%
Year-to-Date Net Absorption	(110,346)	(152,360)	126,710	(182,069)	(402,892)	516,112	(15,847)
Class A Gross Average Asking Rent (PSF)	\$33.87	\$30.58	\$32.79	\$34.87	\$33.24	\$33.26	—
Class B Gross Average Asking Rent (PSF)	\$26.50	\$22.82	\$25.74	\$29.45	\$27.14	\$26.02	\$17.00
Class C Gross Average Asking Rent (PSF)	\$22.27	\$21.17	\$24.43	\$22.22	\$23.82	\$21.68	\$20.52

55 East Jackson Boulevard  
21st Floor  
Chicago, IL 60604

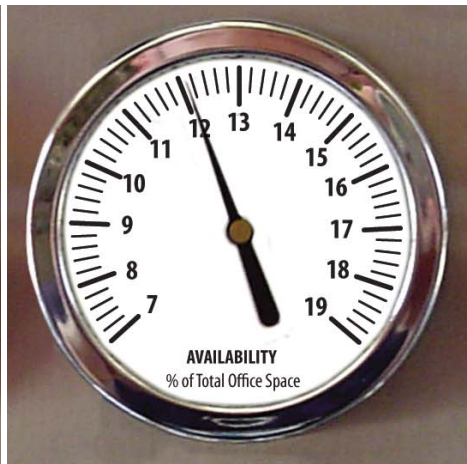
## Inside: Chicago Downtown Office Market Report – 1Q'08

### Bradford Allen Market Meter - Chicago Downtown Office Space



#### Year-To-Date Net Absorption (SF)

The change, positive or negative, in physically occupied space during the year to date.



#### Availability (%)

The total amount of space being marketed for lease, regardless of current occupancy, including sublease space.



#### Average Gross Asking Rental Rate (\$)

The weighted average gross asking price per square foot of all available space, weighted by number of square feet available.

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